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PASS USTR FOR KATHERINE DUCKWORTH AND MARY SULLIVAN
USDA FAS/ONA FOR ROBERT RIEMENSCHNEIDER AND GREGG YOUNG
EEB FOR DAS CHRIS MOORE
EEB/TPP/MTA FOR BILL CRAFT AND CHEVER VOLTMER
PASS NSC FOR DPRICE AND MSMART
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE
TREASURY FOR NLEE AND LTRAN
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER
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TAGS: [ETRD](#) [WTRO](#) [ECON](#) [EAGR](#) [EINV](#) [PREL](#) [AR](#)

SUBJECT: ARGENTINA ON DOHA AGRICULTURE MODALITIES AND NAMA LINKAGE

Ref: (A) STATE 104815
(B) BUENOS AIRES 1445
(C) BUENOS AIRES 1341

Summary

¶1. (SBU) The GoA believes the latest Doha Agriculture Modalities draft is moving in the right direction and notes common ground with the paper's domestic support, market access, and export competition language. Trade policy makers here appreciate that the USG is now "listening closely" to GoA Doha input and insist that Argentina is not seeking to undermine a successful conclusion to the Doha Round. They call their active participation in developing nation Doha negotiating fora, including the G-110, G-90, G-20, and the NAMA 11, a clear signal of the importance Argentina attaches to the multilateral process. As before, the GoA call Doha Agriculture and NAMA texts inextricably linked, claim a "lack of balance" between Ag and NAMA draft text commitments, and argue that the less-than-full-reciprocity concept had been "distorted" in recent draft texts. The GoA notes flexibility and room to maneuver on its Services offer, but cautions that current domestic political tensions require that any commercial policies reform -- particularly those implied by various NAMA formulas -- be gradual. End Summary.

Ag Modalities Text: "Right Direction"

¶2. (SBU) Econ Counselor, Trade Officer, and Econ Specialist met July 31 with Luis Niscovolos, Director of Multilateral Economic Negotiations in the Argentine Foreign Ministry, along with Deputy Director Conrado Solari-Yrigoyen and agricultural trade specialist Miriam Chaves to review GoA concerns on the Doha Round "Draft

Modalities for Agriculture" paper tabled by the Committee on Agriculture Chairman Falconer. Niscovolos called it a "modest contribution, but in the right direction," in which the GoA finds -- in contrast to the NAMA Modalities draft -- significant areas of agreement.

¶3. (SBU) Niscovolos noted Ambassador and EconCouns' July 25 meeting with MFA Director for International Negotiations Ambassador Stancanelli to review GoA NAMA concerns (Ref B), and appreciated that the USG is now "listening closely" to GoA Doha input. He stressed that Argentina is not seeking to undermine a successful conclusion to the Doha Round. Rather, the GoA's active participation in a variety of developing nation Doha negotiating fora, including the G-110, G-90, G-20, and the NAMA 11, is a clear indication of the importance Argentina attaches to the multilateral process. He called the drafting of Paragraph 24 of the Hong Kong Declaration "almost wholly an Argentine initiative" and said that Argentina was the author of the June 2007 NAMA 11 communique (WTO document TN/MA/W/86) that called a Swiss 35 coefficient a balanced result that takes into account the needs and interests of developing nations (Ref B). Argentina, he concluded, wants to leave its "fingerprint" on Doha negotiations.

¶4. (SBU) Niscovolos regretted that, in his view, the dynamic of end-game negotiations is such that Doha has shifted from being a "Development Round" to one that focuses on developed country priorities, with the developed nation mantra of a "market-opening-outcome-that-results-in-meaningful-new trade-flows" an abstract concept that was never included in the original Doha negotiating mandates.

¶5. (SBU) Niscovolos highlighted a number of specific concerns with the Agriculture Modalities paper that the GoA had flagged in its July 26 Trade Negotiations Committee intervention in Geneva:

DOMESTIC SUPPORT: Niscovolos noted that proposed OTDS (overall trade-distorting support) tiers are close to what the G-20 proposed, and offered that the lower levels of OTDS cuts proposed are acceptable to Argentina. He expressed concern, however, at the lack of precision in definitions of Amber and Blue Box product specific limits.

Niscovolos argued that proposed U.S. Farm Bill legislation would preserve U.S. domestic support at existing levels. The Falconer paper, in contrast, would require significant U.S. OTDS cuts. He cited as evidence a paper by French NGO Solidarite entitled "The U.S. Overall Agricultural Trade Distorting Domestic Support OTDS for 2006 put in Perspective from 2001." The paper calls the commonly accepted \$11-odd billion value of U.S. OTDS misleadingly low in light of recent rulings that U.S. cotton subsidies are not green box and calculated that \$25 billion was a more reasonable measure of U.S. OTDS.

GREEN BOX: Niscovolos noted that conservation programs, for example, while belonging in the Green Box, opened a "Pandora's Box" of potential abuses by subsidies that are conservation in name but actually have a "distorting effect" on trade. Such abuse would weaken Green Box disciplines, and the GoA wants more "precise criteria" included in the Agriculture Modalities text to better define conservation.

MARKET ACCESS: Niscovolos noted a high degree of "coincidence" between GoA, G-20 and USG positions here, including on levels of ambition. "Our difference is with the EU position here," he said. Niscovolos emphasized that, while average bound duty reductions were capped at 36-40% for developing countries, there was no corresponding minimum for developed countries. He again cited common ground with the USG on the fact that there is no 100% tariff cap for developed countries, and expressed concern about the higher range of tariff lines which could be designated "sensitive" in the Falconer draft versus the G-20 position, which could limit tariff reductions for developed countries. "We are afraid," he concluded, that special products and safeguards could be used as a shield against change.

Chaves added that tariff-rate quotas for sensitive products could expand inappropriately if based partly on import levels rather than only on domestic consumption. She argued that the EU proposal,

since it is based on import levels, would limit tariff cuts on sensitive products by restricting the expansion of TRQ quotas for that product. Niscovolos also criticized TRQ loopholes in the G-33's market access proposal, adding that agricultural tariffs are already complex and this will do nothing to simplify them.

EXPORT COMPETITION: Niscovolos offered that the GoA agreed with the suggested elimination date of 2013, but argued that there was too much "frontloading" in the proposal. He also made clear that this issue was of lesser importance to the GoA.

PEACE CLAUSE AND SPECIAL SAFEGUARDS: Finally, Niscovolos made clear there was "no way" the GoA would accept insertion of a new "peace clause" such as that found in the 1994 WTO "Agreement on Agriculture" Article 13. He also criticized the special safeguard mechanism in Article 5 and argued that it should be eliminated, since the safeguard could be used in a way that would "neutralize" the true market access increase negotiated in an eventual Doha agreement, and the actual tariff cut would be "very modest" compared to the proposed base tariff cuts. Chaves noted that the GoA has co-presented two papers - JOB(07)/85 and JOB(07)/90 - with this

argument.

"Room to Maneuver" on Services Offer

¶6. (SBU) Niscovolos regretted that service sector negotiations were given lower priority than Agriculture and NAMA in recent Geneva talks. "Argentina has worked hard since the beginning on this, with two of our best service sector negotiators now serving on the WTO Secretariat's service staff." Argentina, he said, had undertaken

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specific commitments in six of the 12 GATS sectors, had participated in the extended telecom negotiations and had ratified the Fourth Protocol. Argentina has "no significant barriers" and has made broad commitments in financial services (with the exception of insurance), telecom services, business services, distribution services and tourism, as well as Mode 4 access. He concluded noting that Argentina understands the importance of the services pillar to developed countries in general and to the U.S. in particular and has "room to maneuver" on its offer.

GOA: "Can't Separate" NAMA from Agriculture

¶7. (SBU) The GoA "can't separate" NAMA and agriculture in the Doha negotiations, Niscovolos said, because they are equally important and because the Hong Kong Declaration mandate specifically calls for a "balance" between the two. Solari stressed the "lack of balance" between agricultural and NAMA commitments in the draft texts, emphasizing that the concept of "real market access" was not a Doha Round mandate. The "less than full reciprocity" concept had been "distorted" in recent draft texts, he said, challenging the U.S. to "find something wrong" with the supporting data and calculations included in the Argentine-drafted NAMA 11 communique (WTO document TN/MA/W/86).

¶8. (SBU) Niscovolos closed noting that middle income Argentina, with its history of economic volatility and recently growing income inequality, combines characteristics of developed and developing nations. The consequent domestic political tensions require that any reform of domestic commercial policies -- including those implied by various NAMA formulas -- must be gradual.

COMMENT

¶9. (SBU) While Argentina's share of world trade was less than 0.37% in 2006 (and declining), its share of world agricultural exports that year exceeded three percent, and Argentina remains a leading player in international oil seed and meat markets. It is no surprise, then, that the GoA is deeply interested in the technical nuance of the Doha Agriculture Modalities paper. GoA linkage of

Agriculture and NAMA pillars reflects an articulated GoA policy (Ref C) that Argentina must develop a diverse industrial base to increase domestic value-added and limit dependence on agricultural commodity exports; that current windfall GoA revenues (via high commodity export tariffs) should be used to provide targeted subsidies to develop domestic industry; and that these subsidies should be combined with strongly protectionist trade policies -- including maintaining the highest possible NAMA-consistent tariffs -- in order to facilitate this economic restructuring.

¶10. (SBU) The considerable Foreign Ministry energy put into multilateral trade talks has been interpreted by some local analysts as compensatory behavior for this Ministry's limited profile in Kirchner administration foreign policy initiatives. It is also seen as one of a series of Argentine plays to one-up Brazil for influence within the G-20. Foreign Ministry Trade Secretary Alfredo Chiaradia, in a clear reference to Brazil, said in June that "some" countries might seek a Doha deal that is bad economically in exchange for political gain. The sense in the GoA appears to be that Argentina has little to gain from agreeing to current Doha drafts but much to gain domestically, in a pre-election period rife with protectionist populism, from holding out against one.

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